

Message Text

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PAGE 01 LENING 01202 280926Z

15
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C O N F I D E N T I A L LENINGRAD 1202

EO 11652GDS
TAGS: EWWT, EEWT, US, UR
SUBJ: FMC CHAIRMAN BAKKE'S VISIT TO LENINGRAD

REF: MOSCOW 11398

1. BEGIN SUMMARY: FMC CHAIRMAN BAKKE AND FMC STAFFERS SMITH AND BAYER VISITED LENINGRAD JULY 15-17 TO MEET WITH BALTIC STEAMSHIP COMPANY OFFICIALS. IN ONLY SCHEDULED WORKING SESSION (JULY 15) CHAIRMAN BAKKE PRESSED HARD TO EXPLAIN ANXIETIES OF WESTERN COUNTRIES AT RECENT, RAPID BUILD UP OF SOVIET MERCHANT MARINE AND ARGUED FOR NEED TO ALLAY FEARS BY BUILDING "PREDICTABILITY" INTO FUTURE SOVIET ACTIONS. SOVIET SIDE EXPRESSED CONCERN AT TENOR OF WESTERN PRESS ON SOVIET MERCHANT FLEET AND DENIED IT IS NOW, OR LIKELY TO BECOME, DESTABILIZING TRADE ELEMENT. END SUMMARY.

2. SOVIETS SCHEDULED ONLY ONE SUBSTANTIVE WORKING SESSION DURING VISIT (MORNING JULY 15) WITH REMAINDER SUBSTANTIVE PROGRAM GIVEN OVER TO BRIEFING ON, AND VISIT OF LENINGRAD PORT (JULY 16). REST OF SCHEDULED PROGRAM CONSISTED OF SIGHTSEEING AND REPRESENTATIONAL FUNCTIONS. US SIDE AT WORKING SESSION CONSISTED OF FMC DELEGATION, LED BY BAKKE AND CONGEN
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PAGE 02 LENING 01202 280926Z

REP (RUECHERT). SOVIET SIDE CHAIRED BY BORIS YUNITZIN,

PRESIDENT OF ASSOCIATION OF SOVIET SHIP OWNERS AND OF BALTIC STEAMSHIP COMPANY AND INCLUDED HIS AIDE VJACHESLAV TEPLOV, IGOR AVERIN, MERCHANT MARINE MINISTRY, VLADIMIR NESTEROV, PROTOCOL SECTION OF MERCHANT MARINE MINISTRY, AND AN INTERPRETER.

3. BAKKE USED SESSION TO EXPRESS CONCERN THAT SOVIET LINER BUILD UP IN RECENT YEARS WAS EXCESSIVE FOR SOVIET TRADE NEEDS, WAS BEING FURTHER SUPPLEMENTED BY PURCHASE OF USED TONNAGE FROM OTHER NATIONS SUCH AS THE FRG, AND COULD BE EVEN FURTHER EXPANDED IF SOVIET UNION REVISED ITS CURRENT PROJECTIONS FOR SCRAPPING DEPRECIATED VESSELS. HE NOTED THAT "MANY NATIONS" NOW CONCERNED AT SOVIET EXPANSION INTO CROSS TRADE, ESPECIALLY SINCE SOVIETS ONLY LARGE COUNTRY STILL OPERATING LARGELY OUTSIDE CONFERENCE SYSTEM IN NORTH ATLANTIC. BAKKE ALSO NOTED THAT "NUMBER" OF GOVERNMENTS AND COMPANIES HAVE IDENTIFIED INSTANCES WHERE TARIFF RATES ON COMMODITIES QUOTED BY USSR WERE SIGNIFICANTLY BENEATH RATES OF CONFERENCE MEMBERS AND OTHER INDEPENDENTS. BAKKE OBSERVED THAT WHILE "UNECONOMIC RATES" NOT YET CHARGED BY SOVIETS IN U.S. TRADE, THERE MUCH CONCERN ABOUT WHAT FUTURE WILL HOLD. BEST WAY FOR SOVIETS TO DISPELL THIS FEAR OF UNKNOWN WAS TO "BUILD PREDICTABILITY" INTO SYSTEM ESPECIALLY BY MEMBERSHIP IN CONFERENCES.

4. YUNITZIN NOTED HE CONCERNED ABOUT TENOR OF WESTERN ARTICLES IN PAST YEAR AND ONE HALF DIRECTED AT SOVIET SHIPPING ROLE IN WORLD TRADE ESPECIALLY SINCE ARTICLES DO NOT REFLECT FACTS. SOVIET FLEET EXPANSION IN LINE WITH GENERAL INCREASE IN SOVIET FOREIGN TRADE AND POSES THREAT TO NO ONE. YUNITZIN ADMITTED SOVIET PURCHASING USED TONNAGE FROM OTHER COUNTRIES BUT SAID THAT 277,000 DWT FIGURES QUOTED BY BAKKE WAS "MUCH OVER-ESTIMATED" AND CLAIMED PURCHASES INVOLVED SMALL SHIPS NOT SUITABLE FOR HIGH SEAS. HE STRESSED THAT BALTIC STEAMSHIP COMPANY (BSC) HAS POSITIVE VIEW OF CONFERENCE SYSTEM AND HAS ALREADY JOINED NUMBER OF CONFERENCES IN WHICH IT ENJOYS EXCELLENT RECORD. HE ADDED THAT BSC IS STILL TOO NEW IN CROSS TRADING TO BE WISE TO WAY OF MALPRACTICE FOR WHICH MEAGER TWELVE PERCENT EARNING RATE

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PAGE 03 LENDING 01202 280926Z

AMPLE EVIDENCE.

5. YUNITZIN ADDED THAT SOVIET MERCHANT MARINE HAD INCREASED CROSS TRADING BUT ARGUED THAT USSR HAD ONLY NOW REACHED MERCHANT MARINE POSITION IT SHOULD HAVE REACHED TWENTY YEARS AGO, AND THAT SOVIETS IN PAST HAVE BEEN EXCESSIVELY RELIANT OF FOREIGN VESSELS. HE CLAIMED SOVIET SHARE CROSS TRADING STILL SMALL AND NOT DISRUPTIVE

FORCE. HE DENIED THAT SOVIETS HAVE ANY INTENTION TO CHANGE CURRENT SCRAPPING POLICY ESPECIALLY SINCE OTHER PARTS OF PLAN ALREADY CALL FOR EXPORT OF PROJECTED SCRAP, AND NOTED BSC HAS NO PLAN COMPETE WITH U.S. IN PACIFIC OCEAN TRADE.

6. MINISTRY OFFICIAL AVERIN, WHILE LEAVING LARGELY TECHNICAL SIDE OF DISCUSSION TO YUNITZIN, CAME STRONGLY TO FORE FOLLOWING BAKKE'S PRESENTATION ON CONCERNS OF WESTERN GOVERNMENTS AND NEED FOR SOME SYSTEM OF PREDICABILITY, NOTING THAT HE FELT PRESENTATION, WHILE HARD, HAD BEEN "VERY USEFUL" IN GETTING STEAMSHIP COMPANY OFFICIALS TO UNDERSTAND VIEWPOINT OFTEN EXPRESSED BY MINISTRY.

7. COMMENT: IT WAS APPARENT DURING WORKING SESSION THAT CERTAIN AMOUNT OF FRICTION EXISTS BETWEEN STEAMSHIP COMPANIES AND MINISTRY ON PRIORITIES AND POLITICAL CONSEQUENCES OF SOVIET MERCHANT MARINE EXPANSION. AT ONE POINT YUNITZIN CHALLENGED AVERIN ON MINISTRY'S PRIORITIES, EXPRESSING WONDERMENT AT CURRENT PLAN TO CONCENTRATE ON BUILDING BULK CARRIERS -- AT TIME WHEN LARGE NUMBER OF TANKERS IDLED -- AND ICEBREAKERS, RATHER THAN CARGO VESSELS. WHILE LEAVING MOST OF TALKING TO YUNITZIN, AVERIN LEFT NO DOUBT WHO WAS BOSS AND SEEMED CLEARLY PLEASED THAT BAKKE HAD LAID OUT POLITICAL SIDE OF SOVIET EXPANSION TO STEAMSHIP OFFICIALS WITH SUCH FORCE AND CLARITY.
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